

VZCZCXRO1539  
PP RUEHDF  
DE RUEHRL #0359/01 0860552  
ZNR UUUUU ZZH  
P 270552Z MAR 09  
FM AMEMBASSY BERLIN  
TO RUEHC/SECSTATE WASHDC PRIORITY 3684  
INFO RUEHDF/AMCONSUL DUSSELDORF PRIORITY 0201

UNCLAS SECTION 01 OF 04 BERLIN 000359

SIPDIS  
EUR  
STATE PASS TO STERN

E.O. 12958: N/A  
TAGS: [PREL](#) [OVIP](#) [GM](#)  
SUBJECT: SCENESETTER FOR SPECIAL ENVOY STERN'S VISIT TO  
BERLIN

11. (SBU) Summary: Special Envoy Stern, Mission Germany warmly welcomes your visit and looks forward to supporting a mix of productive meetings. You will find your German interlocutors to be complimentary, congratulatory, and understanding of the broad challenges the Administration is facing simultaneously. They eagerly welcome your deep engagement and will be closely listening for any signals of US planning as we approach Copenhagen. They take deserved pride in their national and civil society leadership on the issue and will warmly appreciate the fact that you are willing to listen.

12. (SBU) That said, they will universally expect the US to follow through on very robust planning for the post-2012 period with credible midterm reductions and financial/technology support mechanisms to mitigate greenhouse gas emissions and assist developing countries with adaptation. German policymakers are buffeted by the economic crisis, an approaching election, important decisions on domestic nuclear energy, and a public that wants both jobs and progress on climate matters.

13. (SBU) Germany, the largest greenhouse gas emitter in Europe, has taken on ambitious abatement targets domestically and through the EU. Aggressive domestic policies on energy efficiency and renewable energy sources have placed Germany on the path to meet its goals, but this undertaking faces serious threats from Germany's commitment to phase-out nuclear power and heavy resistance from German industry. Once a bastion of environmental concern in Europe, Germany is reeling from the economic crisis and upcoming elections may limit the resolve of Chancellor Merkel in supporting our push for robust reduction commitments from major emitters in the developing world. End Summary.

#### International and Domestic Emissions Commitments

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14. (U) Germany is a party to the EU 20/20/20 emissions reduction plan, in which the European Union has committed to reducing its collective emissions to 20% below 1990 levels, increasing the share of renewable energies in its energy generation portfolio to 20%, and a 20% reduction in energy demand by the year 2020. The plan also contains a provision that would increase the EU's emissions reduction target to 30% below 1990 levels if other major economies undertake similarly ambitious reduction goals.

15. (U) After the 20/20/20 plan's passage, Germany indicated that to help the EU meet its aggregate reduction goals, it would agree to a binding 30% reduction goal by 2020. Germany's commitment also contains a provision that will increase its target to 40% below 1990 levels if the EU moves to its 30% reduction goal. While their EU target is officially a 30% reduction, Germany's government domestically refers to the 40% goal.

## German Emissions Trends

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¶16. (U) The most recent data available indicates that German emissions in 2006 were 18% below 1990 levels, and in 2007 were 22% below 1990 levels. The unseasonably warm 2006-2007 winter and subsequent decline in energy demand for heating likely accounted for some of the 3% decrease. Germany is therefore on track to meet its Kyoto target of 21% below 1990 levels by 2012.

¶17. (U) Under the Kyoto Protocol, the EU-15 has committed to a collective emissions reduction target of 8% below 1990 levels by 2020. If the EU-15 is to meet this goal, Germany's ambitious emissions cuts will be instrumental in offsetting emissions from countries like Austria, Greece, Italy, and Spain, which have seen emissions increases since the 1990 base year and are not projected to meet their individual Kyoto targets. Other EU-15 and EU-25 countries, like Bulgaria, the Czech Republic, Estonia, and Slovenia, are projected to make deeper emissions cuts (in percentage terms) than Germany by 2010, but the scale of Germany's economy and emissions make its projected cuts the largest in absolute terms by a wide margin.

## Domestic Policy and Meseberg

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¶18. (U) The main instrument of German Climate Policy is the "Integrated Energy and Climate Program," which was agreed to

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by the German government in 2007, and is referred to as the "Meseberg Package." The Meseberg Package consists of twenty-nine key elements, including: a mandate for increased combined heat and power (CHP) generation, mandates for an increased renewable share in electricity generated for heat and electricity generation; incentives for solar and wind energy producers, and mandates for stricter building codes and increased energy efficiency. Analysts predict that implementation of the Meseberg Package will result in an emissions reduction to 34% below 1990 levels by 2020. Germany is still addressing how to makeup the 6% gap between the results of Meseberg implementation and the 40% reduction require to meet its domestic and possible EU goal.

## The Nuclear Question

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¶19. (SBU) Commitments to reduce the supply of nuclear power, which currently provides about 20% of Germany's power generation, present an additional complicating factor in the German quest for emissions reduction. The previous Social Democratic Party (SPD)/Green Schroeder-led coalition government passed legislation, known as the "nuclear moratorium," to phase-out all of Germany's remaining nuclear power plants by 2020. Chancellor Merkel and her conservative party (CDU/CSU), the senior member of the current coalition government, have indicated that they would like to review the nuclear phase-out policy and some party spokespeople have explicitly expressed the desire to completely reverse the phase-out policy. The junior coalition partner, the SPD, is vehemently opposed to any plans to extend nuclear power in Germany and have openly criticized Merkel's attempts to extend the life of nuclear power plants.

¶10. (SBU) Fears about reactor safety, terrorism, and waste disposal combine with a strong environmental tradition and memories of the Chernobyl disaster to make nuclear power a sensitive issue for the German public. The long-standing general aversion for nuclear power among Germans has, however, waned in recent years. The results of a biannual survey by the Environment Ministry show that in December

2006, 65% of Germans wanted the nuclear phase-out to proceed on schedule or faster, while 27% opposed the phase-out entirely or favored extending the life of existing nuclear facilities. In December 2008, the same survey reported a slight pro-nuclear shift: 57% of Germans favored accelerating or maintaining the phase-out and 32% favored extending plant life or abandoning the moratorium policy. The January 2009 Russian-Ukrainian Gas crisis, which left many Germans with doubts about the country's energy security, may have helped bring the future of nuclear energy back into debate. An informal poll conducted on the Environment Ministry's website in March indicated that 57% of Germans opposed the nuclear phase-out entirely, while only 28% supported the policy. The staunchly anti-nuclear, Social Democrat-controlled Ministry removed the poll within a week.

#### The "Climate Chancellor" faces Economic Crisis

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¶11. (U) At the beginning of her term, Chancellor Merkel, a former Environment Minister herself, was hailed in the media as the "Climate Chancellor" for her efforts to elevate environmental concerns, especially climate change. In 2007, Germany and Merkel held the rotating presidencies of both the G8 and EU, where she made combating climate change a top priority. A particularly notable success came at the Heiligendamm G8 summit, where Chancellor Merkel was able to secure a commitment from the G8 members, including the Bush administration, to seriously consider taking action to halve global emissions by 2050.

¶12. (SBU) The economic crisis, however, has brought a noticeable change in Merkel's commitment and attitude on these subjects. The worldwide downturn has hurt Germany, the world's largest exporter, hard, particularly in the manufacturing sector, and a large portion of Merkel's conservative electoral base consists of employees and supporters of industry, especially in Bavaria and the rest of the German south. Though she still holds a lead in the polls leading up to September's Parliamentary elections, Merkel is under intense political pressure from her electoral base to protect German jobs before September's parliamentary elections. Germany is in its worst recession since World War II, and in the past year orders for industrial and investment goods have fallen by 37.9% and 41.8%, respectively. Though the German government officially predicts a 2.25% GDP contraction for 2009, prominent economists are now predicting

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a GDP decline of between 5% and 7%. The unemployment rate for February was 7.9%, and uncertainty over GM-owned Opel's future and the recent announcement of 3,000 job cuts by Thyssen-Krupp, Germany's largest steel producer, are not increasing confidence. Faced with Germany's dire economic situation, Chancellor Merkel will likely be constrained in her ability to take further action on GHG mitigation.

¶13. (SBU) Indicative of this pressure and the resulting change in Merkel's position is a statement made by Merkel in the wake of the Brussels EU Summit that she would not approve of any EU climate package or rules that would "endanger German jobs or investment." Chancellor Merkel is under particular pressure from German heavy industry concerned about carbon leakage and the resulting job losses, especially in the auto, steel, glass, and cement industries. Last December, Chancellor Merkel successfully lobbied the EU Commission for the exemption of German heavy industry from the planned auction of carbon permits in the EU Emissions Trading Scheme (ETS). Chancellor Merkel also expressed deep opposition to EU legislation seeking to tax emissions from large cars, which would apply to the luxury sedans produced by German automakers. The Association for Energy-Intensive Industries (VIK, whom you will meet at the scheduled roundtable), has made a particularly heavy effort to lobby German policymakers, and in concert with 14 similar

federations from other member states, the EU. VIK has recently presented analysis of the lessons learned from the EU ETS that argues against auctioning and allocation based on historic production. They maintain that "dynamic benchmarking" using actual production reduces opportunity costs, eliminates windfall profits, and guarantees a total cap.

#### Environment Ministry

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¶14. (U) As part of the Grand Coalition agreement, the Social Democrats control the Environment Ministry. Environment Minister Sigmar Gabriel is a strong supporter of global efforts to combat climate change. He is also an outspoken critic of plans by Merkel and CDU/CSU to reconsider Germany's nuclear power policies. Instead, Gabriel and the Ministry prefer drastic increases in energy efficiency and renewable energy sources, especially wind and solar, as the primary means for reducing Germany's emissions. Matthias Machnig, also of the SPD, is the Ministry's State Secretary and Germany's chief negotiator in international climate fora. He is a strong advocate of emissions trading regimes and has continually supported OECD- and worldwide linked carbon markets to reduce the cost of emissions abatement.

#### Other Players ) NGOs and Research Institutes

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¶15. (U) Germany has a strong community of international and domestic NGOs concerned with environmental and climate issues. Greenpeace, Ecologic, BUND, E3G, Nature Conservancy, and the WWF, among others, maintain strong and influential German presences. Dr. Andreas Kraemer, director of Ecologic, provides consulting on environmental policy and analysis to the Environment Ministry, the Ministry of Education and Research, and others. While not as directly involved in the policy making process as other NGOs, Greenpeace Germany is one of the largest and most active chapters of Greenpeace International, and regularly stages high-profile protests against greenhouse gas emissions and demonstrations for climate protection. As an example, in mid-March, Greenpeace activists hung a banner reading "If the world were a bank, it would have been saved long ago" 140 meters from the ground on Deutsche Bank's corporate headquarters. Many German NGOs and their representatives undertake important environmental consultant and advisory roles to the EU and other international bodies.

¶16. (U) German research institutes are also important players in the German climate policy scene. Of particular import is the Potsdam Institute for Climate Impact Research (PIK), which is located in nearby Potsdam. The Institute's Director, Prof. Dr. Hans-Joachim Schellnhuber, is Chancellor Merkel's personal advisor on climate policy. PIK and its researchers are well-connected to the Intergovernmental Panel on Climate Change (IPCC) and occupy prominent positions in its structure and working groups. Dr. Schellnhuber was the coordinating lead author of the Working Group II Synthesis report for 2001's Third Assessment Report of the IPCC. Nine different PIK researchers participated as either contributing or leading authors on the Physical Science Basis section of

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the IPCC's 2007 Fourth Assessment Report.

#### German Expectations of the U.S.

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¶17. (SBU) Germans with whom we have spoken have universally welcomed your March 3rd speech at the Climate Change Symposium as the first specifics on the American climate change plan and an indication that the U.S. is serious about

moving wisely toward Copenhagen and beyond. While impressions of the speech were positive overall, Germany will press the U.S. heavily on midterm targets and support for international financing. They will seek commitments\*even symbolic\*of midterm targets lower than 1990 levels. Schellnhuber will likely repeat this, requesting a midterm target of 5% to 10%.

¶18. (SBU) Both Germany and the U.S support the long-term emissions reduction goal of 80% below 1990 levels by 2050, but there will be some conflict regarding the trajectory taken to reach this goal. The midterm target that you mentioned at the Climate Change Symposium of 14% below 2005 levels -- or, equivalently, equal to 1990 levels -- is seen in Germany as an opening gambit from which the U.S. will negotiate toward a more meaningful commitment. Our proposed target is not seen as a sufficiently ambitious step toward the final reduction goal by a country that is well on its way to meeting its 40% reduction goal by the same period.

¶19. (SBU) Like other countries reeling from the economic crisis, Germany will also look for a strong U.S. commitment to financing developing countries' abatement strategies. Germany is wary of acting as the first-mover and announcing significant financial aid for developing countries' GHG reduction measures before the U.S. and other large nations make commitments of their own. They are resistant to building pressure at the governmental level to shoulder increasing burdens from within Europe, and the public is likely not far behind. Like other large countries, Germany will likely push for developing nations to fund their own "win-win" energy efficiency measures as they begin to reduce greenhouse gas emissions.

¶20. (SBU) As a world leader in alternative energy technology, especially in the solar and wind fields, Germany sees tremendous potential in the U.S. market, but is also wary of losing its competitive advantage as well-funded American firms ramp up research and development as our stimulus efforts get traction. Germany will pitch a high-level dialogue between government, scientists, and industry to lobby for a steeper reduction trajectory and explore business opportunities for German companies.  
Koenig